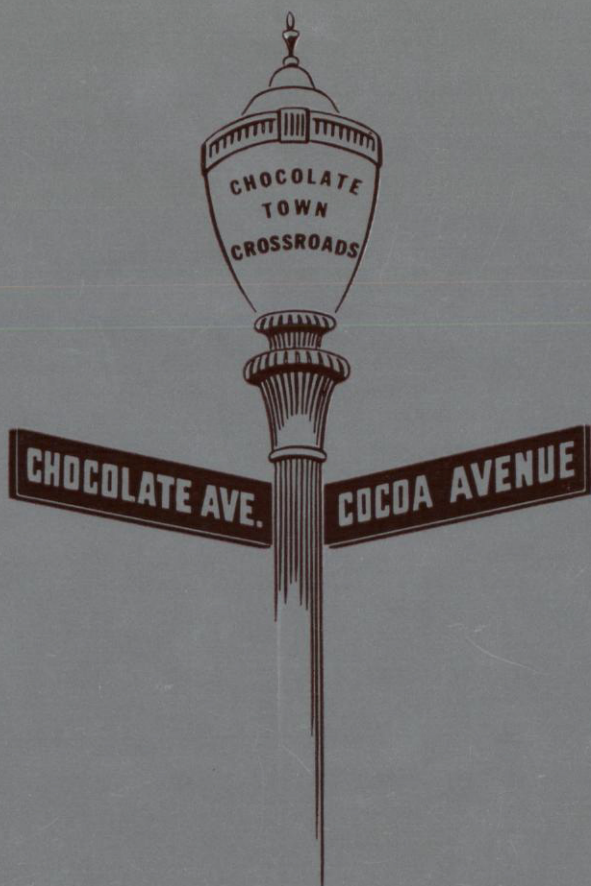
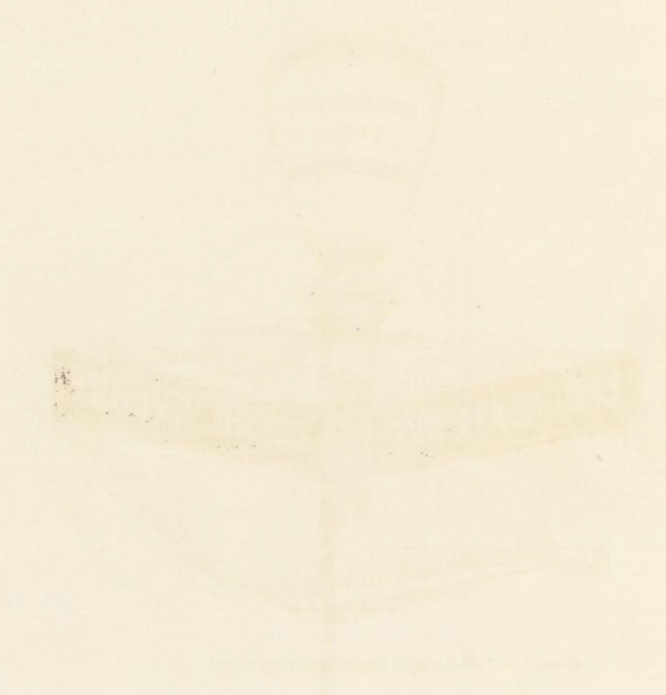


HERSHEY'S



ANNUAL REPORT
DECEMBER 31, 1959

THE GREAT GREAT



BOARD OF DIRECTORS

J. J. GALLAGHER, *Chairman*

S. F. HINKLE

L. W. MAJER

H. S. MOHLER

W. H. RADEBAUGH

W. E. SCHILLER

J. B. SOLLENBERGER

A. R. WHITEMAN

OFFICERS

J. J. GALLAGHER, *Chairman of Board of Directors*

S. F. HINKLE, *President*

L. W. MAJER, *Vice President and Secretary*

W. E. SCHILLER, *Vice President and Treasurer*

L. W. SIMMONS, *Comptroller*

TRANSFER AGENT

FIRST NATIONAL CITY TRUST COMPANY
NEW YORK

REGISTRAR

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

AUDITORS

ARTHUR ANDERSEN & CO.
NEW YORK

To the Stockholders:

It is a pleasure to present this annual report of your Company for the year 1959 and to discuss some of the developments which we believe will be of particular interest to you.

Sales in 1959 totaled \$167,349,129, an increase of \$3,345,338 over 1958. Net earnings amounted to \$15,257,910 as compared with \$12,716,115 in 1958, and earnings per share were \$6.35 and \$5.25 in the respective years. Dividends on the Common Stock amounted to \$3.40 a share in 1959 as compared with \$3.15 in 1958, including year-end extras of \$1.00 in 1959 and \$.75 in 1958.

While some of the costs of doing business in 1959 were higher than in the preceding year, a more favorable situation with respect to certain raw materials, principally cocoa beans, made it possible to regain somewhat better profit margins. It should be noted that the results for 1959 are more in line with those for the year 1957, when net earnings amounted to \$6.03 a share. As you may recall, 1958 earnings were lower due to the high cost of cocoa beans for which it was not possible, under the competitive conditions of our industry, to make adequate adjustments.

Following the poor cocoa bean harvest of the preceding season, we were relieved and encouraged to see a substantial recovery in the size of the world crop in the 1958-59 crop year. There is further encouragement in the prospect of a still higher world production in the current crop year, which runs from October 1, 1959 to September 30, 1960. The result of these developments has been a moderate easing in the market price of cocoa beans. Future crops will depend greatly upon weather conditions and continued improvement in farming methods but it appears at present that the trend of world production is upward. With continuity of good cocoa bean production and a price level which will enable chocolate manufacturers to compete more effectively with other products having little or no cocoa bean content, we believe there is much that can be done not only to keep pace with the increasing population but also to achieve an increase in the per capita consumption of chocolate products.

The year 1959 saw the introduction of two new products from our development program. Chocolate covered candy coated almonds and a new vitamin fortified chocolate flavored syrup packaged in glass were introduced on a national scale. The new syrup and one of the several packages of chocolate covered almonds are illustrated in the enclosed samples of promotional material.

We are frequently asked what effect the political situation in Cuba has upon our business. The Company does not own any properties in Cuba, and therefore has not been affected by the land program of the Cuban government or other restrictions placed upon the operation of foreign owned businesses. Furthermore, in view of the world supply and producing capacity, we do not foresee any difficulty in procuring our sugar requirements.

During the year, expenditures of approximately \$1,000,000 were made on the continuing program of improving plant and equipment. One of the projects was the construction of a new milk station in the community of Newville in the Cumberland Valley of Pennsylvania. As you know, milk is an important ingredient of our chocolate products, and most of our requirements are obtained from local farmers within a radius of approximately 75 miles from Hershey. Also, with the introduction of the new vitamin fortified syrup, a new flexible packaging line was added to our syrup department.

Mr. D. Paul Witmer, for many years a member of the Board of Directors, retired in July 1959 and Mr. Arthur R. Whiteman and Mr. Harold S. Mohler were elected to the Board on January 13, 1960. Mr. Whiteman is Vice President and a member of the Board of Directors of the Hershey Trust Company, the trustee for the Milton Hershey School. Mr. Mohler has been with the Corporation for eleven years and since 1957 has been Assistant to the President. Mr. Earl B. Lehman, formerly Comptroller, resigned in April 1959 in order to pursue other business interests, and Mr. L. Whitley Simmons, formerly Assistant Comptroller, was appointed to the office of Comptroller.

Again in 1959 great numbers of visitors came to Hershey, and approximately 206,000 from all parts of the world were conducted on extended tours of the plant. In addition to the program conducted for the general public, your Company for a number of years has participated in the activities of the organization, Americans for the Competitive Enterprise System (ACES) in arranging special educational tours for high school students. During these visits the students participate with our executive and professional employees in group discussions about the organization, operation and general economics of business.

You may be interested to know that the Milton Hershey School is now celebrating its 50th anniversary. This school was established by M. S. Hershey, founder of the Hershey Chocolate Corporation, for the education, character building and welfare of orphan boys and currently has an enrollment of approximately 1,100 boys. Hershey Trust Company as trustee for the Milton Hershey School is the majority stockholder of Hershey Chocolate Corporation.

The success of our operation in 1959 reflects the loyalty and co-operation of our officers and employees, for which we wish to express our grateful appreciation.

By order of the Board of Directors,

J. J. GALLAGHER
Chairman of the Board

S. F. HINKLE
President

February 23, 1960.

HERSHEY CHOCO

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash	\$ 8,913,137
U. S. Government and other short-term securities, at cost	23,676,189
Accounts receivable, less reserves of \$473,257	5,969,360
Inventories (Note 1)	31,830,081
Total current assets	<u>\$70,388,767</u>

PLANT AND PROPERTY, at cost:

Land	\$ 164,906	
Buildings and improvements	14,131,672	
Machinery and equipment.....	25,073,153	
Construction in progress	<u>294,988</u>	
	\$39,664,719	
Less—Reserves for depreciation.....	<u>23,731,276</u>	15,933,443
PREPAID ITEMS		<u>240,924</u>
		<u>\$86,563,134</u>

NOTES:

- (1) Inventories of cocoa beans and almonds, together with the cocoa beans are stated at cost under the "last-in, first-out" method. The remain
- (2) Under the Officers and Key Employees Stock Option Plan approved in at December 31, 1959. Of these shares 31,286 were for outstar share for 6,025 shares), and 64,559 shares were for future options. Options for 2,565 shares were exercised during the year, and the p

ATE CORPORATION

DECEMBER 31, 1959

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities		\$ 5,059,381
Reserve for state taxes.....		1,355,332
Reserve for Federal income tax	\$12,923,673	
Less — U. S. Government short-term securities	<u>12,923,673</u>	<u>—</u>
Total current liabilities		\$ 6,414,713

CAPITAL STOCK AND SURPLUS:

Common stock, without par value—		
Authorized 3,000,000 shares (Note 2);		
outstanding 2,403,406 shares	\$ 4,425,086	
Earned surplus	<u>75,723,335</u>	<u>80,148,421</u>
		<u>\$86,563,134</u>

monds and the wage costs included in finished goods and goods in process, inventories are stated at the lower of average cost or market.

7 there were 95,845 authorized but unissued shares of common stock reserved g options (at \$54.00 per share for 25,261 shares and \$55.00 to \$75.50 per 1959 options were granted for 4,400 shares and terminated for 234 shares. eeds of \$138,510 were credited to the common stock account.

HERSHEY

CHOCOLATE CORPORATION

HERSHEY CHOCOLATE CORPORATION

STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1959

PROFIT AND LOSS

NET SALES		\$167,349,129
COST OF GOODS SOLD, SHIPPING, SELLING, ADMINISTRATIVE AND GENERAL EXPENSES.....		<u>133,941,219</u>
		\$ 33,407,910
PROVISION FOR INCOME TAXES:		
Federal income tax	\$16,950,000	
Commonwealth of Pennsylvania income tax	<u>1,200,000</u>	<u>18,150,000</u>
Net profit for the year		<u><u>\$ 15,257,910</u></u>

NOTE: Costs and expenses for the year 1959 include provision for depreciation of plant and equipment in the amount of \$1,478,503.

EARNED SURPLUS

EARNED SURPLUS AT DECEMBER 31, 1958	\$ 68,634,450
ADD -- Net profit for the year 1959	<u>15,257,910</u>
	\$ 83,892,360
DEDUCT -- Dividends on common stock (\$3.40 per share)	<u>8,169,025</u>
EARNED SURPLUS AT DECEMBER 31, 1959	<u><u>\$ 75,723,335</u></u>

AUDITORS' CERTIFICATE

*To the Board of Directors and the Stockholders of
Hershey Chocolate Corporation:*

We have examined the balance sheet of Hershey Chocolate Corporation (a Delaware corporation) as of December 31, 1959, and the related statements of profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of Hershey Chocolate Corporation as of December 31, 1959, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.,
February 12, 1960.

HERSHEY CHOCOLATE CORPORATION

**EXECUTIVE OFFICES AND MANUFACTURING PLANT
HERSHEY, PENNSYLVANIA**

WAREHOUSES

Atlanta, Ga.	Little Rock, Ark.
Billings, Mont.	Los Angeles, Cal.
Cambridge, Mass.	Memphis, Tenn.
Chicago, Ill.	Milwaukee, Wis.
Cincinnati, Ohio	New Orleans, La.
Dallas, Texas	North Bergen, N. J.
Davenport, Iowa	Oklahoma City, Okla.
Denver, Colo.	Omaha, Neb.
Detroit, Mich.	Pittsburgh, Pa.
East St. Louis, Ill.	Portland, Ore.
Houston, Texas	St. Paul, Minn.
Jacksonville, Fla.	Salt Lake City, Utah
Kansas City, Mo.	San Francisco, Cal.
	Seattle, Wash.

SALES OFFICES

In all principal cities in the United States

HERSHEY'S PRODUCTS

FOR THE CONSUMER

MILK CHOCOLATE BARS

MILK CHOCOLATE KISSES

ALMOND BARS

BAKING CHOCOLATE

SEMI-SWEET BARS

DAINTIES

KRACKEL BARS

COCOA

MR. GOODBAR

CHOCOLATE SYRUP

MINIATURE BARS

INSTANT COCOA MIX

HERSHEY-ETS

HOT CHOCOLATE POWDER

MINT CHOCOLATE

CHOCOLATE FUDGE TOPPING

CHOCOLATE COVERED ALMONDS

FOR INDUSTRIAL USERS

(Confectionery, Baking, Ice Cream, and other Industries)

CHOCOLATE COATINGS

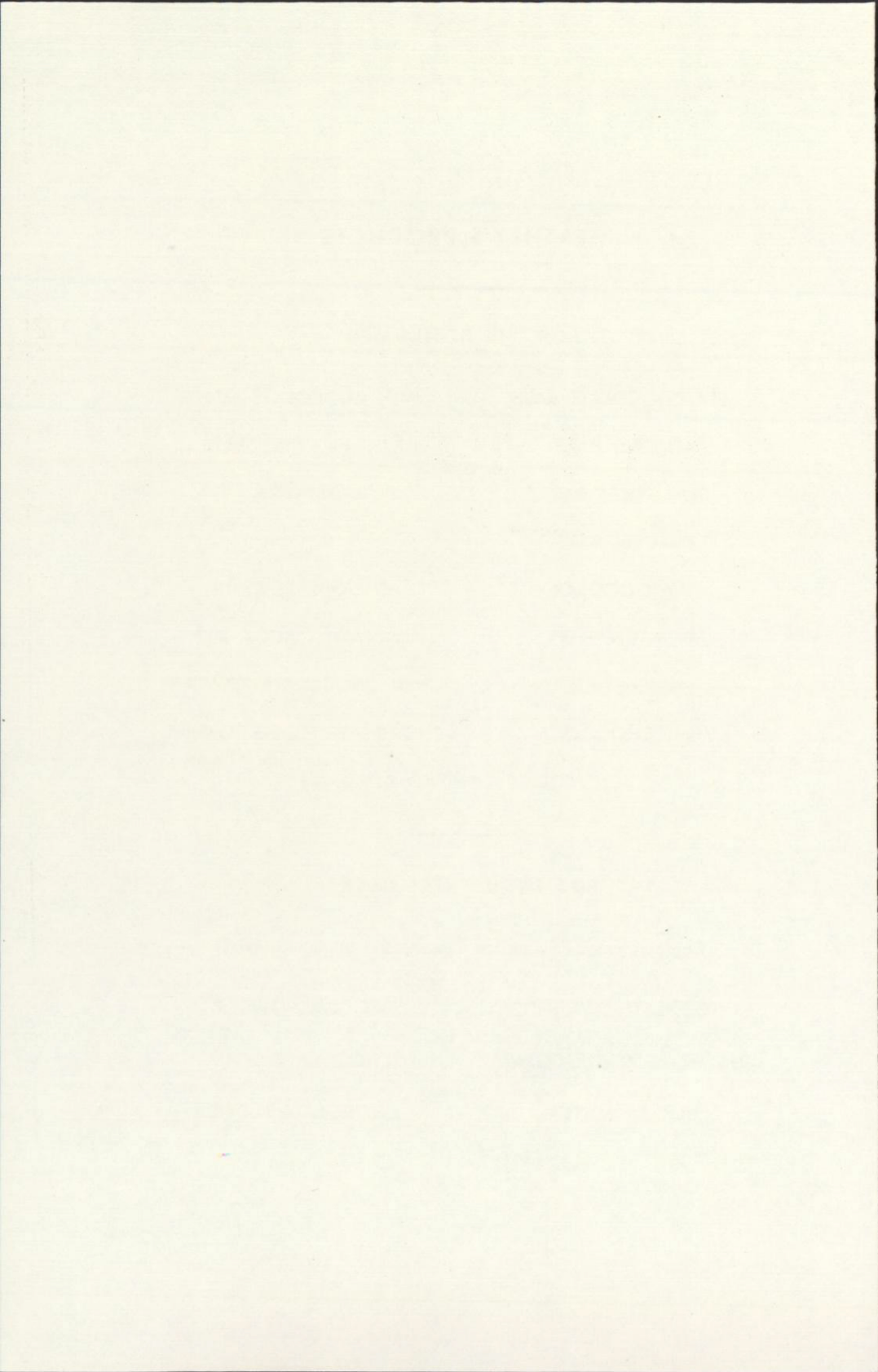
COCOA POWDER

UNSWEETENED CHOCOLATE

CHOCOLATE SYRUP

COCOA BUTTER

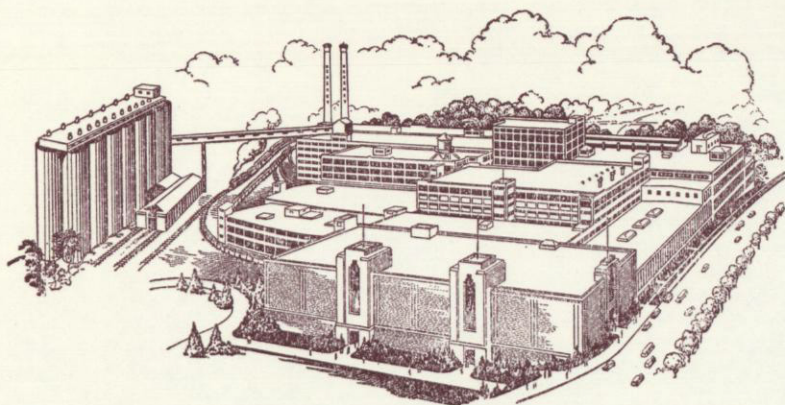
CHOCOLATE FUDGE



HERSHEY

CHOCOLATE CORPORATION

HERSHEY, PENNSYLVANIA



Executive Offices and Manufacturing Plant

